



ETHANOL PRODUCERS AND CONSUMERS (EPAC)

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EXHIBIT

DATE

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SB

SB 122

I am Shirley Ball, a lifelong farmer, from Nashua, and I have been interested in ethanol for over 25 years. For the past 17 years, I have been the Executive Director for a non profit group called EPAC, Ethanol Producers And Consumers, a national organization that educates and promotes about ethanol and biofuels.

I am here in support of SB122. Thank Sen. Kitzenberg for carrying the bill. A recent national survey found that when citizens are provided with relevant and accurate information about Ethanol, their interest in purchasing it increases - and market demand has proven that production will follow. During the time that I have been involved in ethanol issues, I have heard many myths about ethanol fuel and EPAC works to dispel those myths. For instance, that there will not be enough food for hungry people if we turn grain to fuel, - this one has been around a long time. The answer is that only the starch is used for fuel, and the nutrients can still be used in the food chain. We also hear that it takes more energy to produce ethanol then you get back, and that has been answered by many studies, the most recent USDA study says we get 1.67 % more energy back then is used. Other myths are that we will run out of corn. IN SD a few years back they had four ethanol plants and were using half the corn grown in the state for ethanol. A few years later there were eight ethanol plants and they were still using half the corn raised in the state for ethanol. Farmers will plant for the market. And research is going on so that trees and grass can be used for ethanol. Other crops, like barley and wheat, and maybe even field peas, will make ethanol. These feedstocks were part of the discussion at a recent Renewable fuels Summit in Canada where barley and wheat are commonly used for Ethanol. (Europe)

A complaint that is being heard now is that the price of corn is so high, but as a farmer, I got involved because we needed a better price for grain. And corn farmers have wisely used their check off dollars for research to increase the viability of corn ethanol and are to be congratulated.

The reasons for citizens to use more ethanol are easy to define.

- 1 - Energy security is a big reason. The US needs to be less dependent on foreign countries for energy needs. Especially unstable nations with unstable leaders that hate us. The US should not have to send young men and women to fight wars to protect an oil supply.
- 2 - Our nation is concerned about pollution and environment- ethanol and biodiesel are much cleaner than the commonly used petroleum fuels.
- 3 -. Economic Development, the jobs and tax base and dollar turnover that comes with a value added business would be wonderful for rural Montana and the whole state.
4. Renewable fuel. Fossil fuels will be depleted at some point, and we need to be prepared.

EPAC has been doing education for 17 years, most of it in places outside of Montana, because most of our financial support has been from outside of the state. We have done more in Montana recently, because the atmosphere is more positive. Each conference or workshop or booth event helps to educate. Events put people together who want to build a plant, or market E85 and E10 and want to know how to go about it. Progress is being made all around us. I wish it were faster but planning and building a \$100 million business takes time. Time to choose your design and construction teams, engineering firm and get on their schedule. The owner of Fagens, Inc, a firm out of MN that constructs plants, told me that even if you came to them with the money up front, the soonest they could get around to building your plant would be in two years time because they are so backed up with projects. They currently have crews on over 30 plant sites, and have a person on the phone full time seeking qualified workers.

Montana is an island right now with ethanol in all states and provinces around us. Some of the proposed plants in MT say they are waiting for financing. A holdup to funding in MT may be that we do not have much corn. Corn is such an easy crop to put into ethanol, and financing institutions are used to putting up money for a corn to ethanol plant. Lenders want to be assured that other crops are going to work in this country before investing.

However, that being said, at a recent meeting in NE MT about building a plant, a construction company said they would come in and put up a plant themselves if the local group did not want to take the risk. Of course, then they would own the plant, and take the profits out of state, and the local guys would not have the ownership they wanted. I hope the locals can put the funds together to start the process. This plant would no doubt use barley as the feedstock. An advantage to a barley plant is that low quality wheat, such as low protein or low weights that have been distressed due to weather can also be utilized as a feedstock and would bring a better price to the farmer than the grain trade would offer.

The money that would be used in SB 122 to create an educational Board is from funds that would go to an ethanol plant when there is finally a plant in operation. Those funds were meant to encourage a plant to be constructed. Education can also encourage a plant to be constructed. These funds will revert to once again become a production incentive when an ethanol plant is built and qualifies for the money.

There is a growing need for more biofuels. The Renewable Fuels Standard that was passed by the Congress and signed by the President in August of 2005 is creating a market for renewable fuels like ethanol and biodiesel. There are new proposals in congress at this time to increase the use of biofuels. One is the 25 by 25 initiative that says that 25% of the fuel used in the nation by 2025 will be from renewable sources. There are about 110 Ethanol plants in 19 states in production at this time. There is a huge movement towards Ethanol, biodiesel and other renewables, and Montana can and should be part of that industry.

I know that questions are out there. The public is seeking education. A number of renewable fuels meetings have been held recently and the turnouts are large. Montana citizens want to know how to be a part of the solution. This bill can and should provide education to help them.

A person in the ag community approached me about amending the bill to half as much money, and have the funds would come directly to EPAC, which I would have no objection to. In fact, when we asked for a bill late last session, we proposed a bill that would assure the funds go directly to EPAC, but the people in charge of writing the language came up with this language. It was late and time ran out last session, so we just reintroduced the same language this year. There is one other thing I want to say, you know it is a long drive to come to Helena from Nashua to testify. And there are people who wondered why I bothered, because they did not think anything would happen with this, but I challenge you to pass it and show that we are trying to bring biofuel production to the state.

I have a packet of information for each of you. There are a lot of answers about biofuels issues in those pamphlets and papers and, if you have other questions, please call EPAC.

Thank you and I urge your support for SB 122